

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

NIC 8713-82
28 October 1982

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: A/NIO/NESA

SUBJECT: Israeli Policies in the West Bank

1. Israeli historian (and former Deputy Mayor of Jerusalem) Meron Benvenisti presented the conclusions of his major West Bank Data Project to US government officials, Middle East experts, Capitol Hill staffers and journalists at the American Enterprise Institute. His not-yet published study analyzes Israeli government policy in the West Bank, including legal aspects, land policy, demographics and the economic angle of the "occupation."

2. Benvenisti's research and observations lead him to conclude that Israeli policy vis-a-vis the West Bank is now poised at "5 minutes to midnight" -- that is, the "creeping annexation" can still be stopped short of de jure annexation but only, he opines, if the status of the West Bank has been resolved before 36 months have elapsed. At the end of that 36-month time-frame, a "critical mass" - defined by government insiders as 100,000 - of Israeli Jews will have settled permanently in the West Bank, making politically unacceptable any Israeli government consideration of pressing for their expulsion.

3. Benvenisti based his conclusion that events were not yet irreversible on the fact that President Reagan's 1 September initiative has given those Israelis who favor territorial compromise - namely the Labor Alignment - support for their position. While many "ifs" will have to become realities before a policy shift can even become a possibility, Israeli supporters of territorial compromise had absolutely no chance of shifting directions without such an initiative, and without an Arab partner eventually joining the game.

4. In fact, the Israelis are in the process of creating a new reality on the West Bank - one to which the USG currently is paying little heed. While the President's initiative called for a freeze on settlements, it did not address the thickening of those already existing ones or the trend

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toward settlements organically tied to major population centers. It is those urban settlements in close proximity to Tel Aviv and Jerusalem that are changing the face of the West Bank. In time, those settlements will house hundreds of thousands of Israelis with no ideological commitment to "resettle Judea and Samaria," but who are populating the West Bank because of the conveniences and economic benefits it affords them. A vivid example of the economic benefits: A 3-story, 1800-meter sized house on the West Bank sells for approximately \$90,000. Some \$75,000 of that will be underwritten by a government mortgage, of which half may be forgiven should the owner remain for 5 years. A comparable house within Israel proper might cost \$220, 000 or more, without such generous government terms. Benvenisti argued that the US should revert to its earlier policy of continuously impressing upon the Israelis the seriousness with which the US government takes all settlements expansion.

5. Some additional key points of Benvenisti's research on Israeli policies vis-a-vis the West Bank include:

- The disproportion between Arab and Jewish residents on the West bank is not becoming more exaggerated toward Arab preponderance, despite their considerably higher birth rate. The major reason for this is the out-migration of Arabs who seek employment abroad. Thus, the commonly held Israeli view of a "demographic threat" is not supported by the data.
- Almost 50% of the active West Bank labor force is employed in Israel proper. One third of those for more than 10 years, the other two-thirds for more than 4 years -- indicative of great employment stability. Their hourly wages are about 50-60% of those received by Israeli Jews, the difference due largely to lower fringe benefits and pension payments.
- More than one-third of the West Bank's GNP is derived from economic ties to Israel - largely transfer payments. Despite very high rates of economic growth over the past several years - about 12 percent annually - the West Bank economy is stagnant and non-viable. Industry is underdeveloped with almost no new investment, no capital market, (and therefore no availability of credit for investment), and no protection of West Bank industries against competition from imported Israeli goods. Israeli policy has intentionally encouraged West Bank dependency on Israel rather than the creation of independent economic viability.
- On the sensitive subject of land: Although only about 26-27% of West Bank land has been officially acquired by Israel, the more important statistic is that 65-70% has either been taken or is legally susceptible to being taken by the Israeli government. Application of the Turkish land code and an

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Israeli Supreme Court decision will enable 65-70% of total West Bank acreage to come under Israeli control by whatever time the government decides to acquire it. It is not rushing forward to complete the process.

- On the legal status of the West Bank: Benvenisti argues that Israel is acting not as an occupier but as a power moving toward establishing permanent sovereignty. Israeli military orders dealing with treatment of West Bankers are being raised to the level of substantive judicial law. There is, moreover, a clear move underway toward dual legislative/judicial systems for the West Bank - one for Jews, the other for Arabs.

6. In conclusion, Benvenisti noted that while the majority of the Israeli polity would oppose territorial compromise at the current time, the experience of obtaining support for the Camp David Accords at a time when there was no broad support for return of the Sinai, should teach us a lesson. If the balance between benefits and costs of pursuing or refusing to pursue compromise become clear to the Israeli populace, there may well be hope for a change in the Israeli position.

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